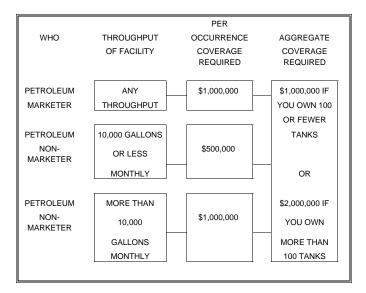
# **Demonstrating Financial Responsibility**

#### WHAT IS FINANCIAL RESPONSIBILITY?

State and Federal underground storage tank (UST) regulations require that owner/operators of regulated petroleum USTs demonstrate financial responsibility to show they can pay the costs of cleanups and third-party claims for leaks from USTs.

The amount of financial responsibility you must have depends on the type of business you operate, the yearly throughput of each facility, and the number of tanks you own. The following table shows the amounts required:



- Marketing facilities (service stations, truck stops, and others involved in petroleum refining, production, or marketing) must have \$1 million of "per occurrence" coverage. This is the amount that must be available to pay the costs of one petroleum release. Non-marketing facilities must have the same amount of per occurrence coverage unless they have a monthly throughput of 10,000 gallons or less. In this case, the per occurrence coverage amount is \$500,000.
- UST owner/operators must also have coverage for an annual aggregate amount. This is the amount that you must have to cover all leaks that might occur in one year. The amount of aggregate coverage depends on the number of tanks you have: \$1 million if you have 100 or fewer tanks, \$2 million if you have more than 100 tanks.

### HOW TO SHOW FINANCIAL RESPONSIBILITY

Owner/operators of regulated petroleum USTs in Utah may show financial responsibility by participating in the Utah Petroleum Storage Tank (PST) Trust Fund or by using one of the other methods allowed by the Federal UST regulations (40 CFR 280, subpart H).

#### **Petroleum Storage Tank Trust Fund**

The PST Fund pays most of the cleanup costs of covered releases up to the limits required by the federal regulations. The responsible party pays the first \$10,000 (in some cases \$25,000)

of eligible cleanup costs and the Fund pays the remaining eligible costs up to the limits required by the Federal regulations. Any costs over these limits must be paid by the responsible party.

UST owner/operators who participate in the Fund pay an annual Petroleum Storage Tank Fund fee based on the yearly throughput for each facility.

#### Other Methods

For those who do not participate in the Fund, the Federal UST regulations allow several options for demonstrating financial responsibility. Each one is described in detail in 40 CFR Part 280, subpart H. The state UST rules (R311-206) have additional requirements for some of the methods. The options allowed in Utah are:

**Insurance coverage.** Insurance may be available from a private insurer or a risk retention group.

**Letter of credit**. A letter of credit is a contract involving you, an issuer (usually a bank), and a third party (such as the implementing agency) that obligates the issuer to help you demonstrate your financial responsibility.

**Self-insurance.** If your firm has a tangible net worth of at least \$10 million, you can show financial responsibility by passing one of two financial tests.

**Trust fund.** You may set up a fully-funded trust fund administered by a third party to demonstrate financial responsibility.

Other methods are available for local governments. These are described in 40 CFR Part 280, subpart H.

If you show financial responsibility by one of these alternative methods, you will be required to pay yearly processing fees and submit documentation of your method each year.

You may use a combination of methods to demonstrate financial responsibility. The methods you choose must cover costs of both corrective action and third-party liability, and must add up to the amount of coverage you are required to demonstrate.

## **Keep In Mind:**

- If you use another financial responsibility mechanism, then later decide to participate in the PST Trust Fund, you will be required to perform a tank and line tightness test and a site assessment (including soil and/or groundwater samples) for all tanks before the tanks can participate in the PST Trust Fund, as specified in the Utah UST Act, UCA 19-6-428.
- If you choose to participate in the PST Trust Fund, all tanks located at the same facility, including above-ground tanks and unregulated USTs, may be required to participate.

Demonstrating financial responsibility is one requirement for qualifying your tanks for and receiving a Certificate of Compliance. If you use a mechanism other than the PST Fund, you must meet all Federal and State requirements for the mechanism before you receive a Certificate of Compliance.

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